

# Supporting America's Young Entrepreneurs Act of 2021

Introduced by Representative Nydia M. Velázquez (NY-7)

---

The COVID-19 pandemic has caused severe economic distress across the country, particularly for small firms struggling to stay open and keep employees on payroll. Small businesses, which account for 99.9 percent of all private sector employers and support two-thirds of all new jobs, will be key to future economic growth and recovery.

Unfortunately, one of the major inhibitors of entrepreneurship is student loan debt. The country has amassed more than \$1.7 trillion in outstanding student loan payments as of 2021, totaling more than credit card debt and auto loan debt, coming in second only to mortgage debt. Not only does it constrain the ability of citizens to spend, hindering the economic recovery, but it also hinders their ability to start businesses and create jobs.<sup>1</sup>

There is a growing body evidence pointing to the correlation between long declining entrepreneurship rates and the steady increase in student loan debt. Among individuals who own businesses, higher levels of student debt are negatively related to the overall business income and employment.<sup>2</sup> A survey of 800 individuals 18-34 found that 4 in 10 young adults believe student loan debt had already impacted or would impact their ability to invest in an organization or hire new employees.<sup>3</sup> Furthermore, researchers at the Federal Reserve of Philadelphia found an eight percent increase in total student debt in a given county leads to 70 fewer new small businesses in that county.<sup>4</sup>

This crisis is also contributing to greater racial disparities in business ownership. Studies have found that black and Hispanic students are more likely than white students to rely on student loans to finance their higher education.<sup>5</sup> The disincentive to take risks that comes with student loan debt disproportionately affects aspiring minority business owners and, in turn, grows the racial wealth gap.

The Supporting America's Young Entrepreneurs Act of 2021 would provide three years of interest free student loan deferment and up to \$20,000 in forgiveness for the founders of small businesses in economically distressed areas. It would also provide up to \$15,000 for employees of startups anywhere over the course of five years. The bill would create the Young Entrepreneurs Business Center at the SBA and ensure any loan forgiveness is not counted as taxable income.

---

<sup>1</sup> [Student Loan Debt Clock](#)

<sup>2</sup> EWING MARION KAUFFMAN FOUND., *Student Loans and Entrepreneurship: An Overview*, Entrepreneurship Issue Brief, No. 5, 2020. <https://files.eric.ed.gov/fulltext/ED607531.pdf>

<sup>3</sup> Ben Kaufman and Mark Herbert, *Research Roundup: The Student Debt Crisis is a Crisis for Small Business and Entrepreneurship*, STUDENT BORROWER PROTECTION CENTER, Jan. 8. 2020.

<sup>4</sup> Id.

<sup>5</sup> Judith Scott-Clayton and Jing Li, *Black-White Disparity in Student Loan Debt More than Triples After Graduation*, BROOKINGS. Oct. 20, 2016.

## **Section-by-Section Analysis**

### **Section 1. – *Short Title.***

This section of the bill provides that the bill may be cited as the “Supporting America’s Young Entrepreneur Act of 2021”

### **Section 2. – *Small Business Start-up Employee Loan Deferment and Cancellation***

#### **Subsection (a) – Deferment**

This subsection amends the Higher Education Act to allow for the founders of small business startups to qualify for up to three years of student loan payment deferment without additional interest accruing on the principal.

#### **Subsection (b) – Loan Cancellation**

This subsection directs the Secretary of Education to cancel \$20,000 in principal and interest for founders of small-business start-ups in economically distressed areas that have made 24 consecutive monthly payments on eligible Federal Direct loans after the date of enactment, subject to approval by the Young Entrepreneurs Business Center. Employees of small business start-ups are eligible for \$3,000 in student loan cancellation each year for five years, provided they make 12 consecutive payments each year. This subsection also defines distressed areas, eligible federal direct loans, founder, small business start-up, and small business startup job.

### **Section 3. – *Young Entrepreneurs Business Center***

This section establishes the Young Entrepreneurs Business Center.

#### **Subsection (a) – Establishment**

This subsection creates the Young Entrepreneurs Business Center in the SBA for the purpose of administering the program by (1) certifying small business startups (2) identifying distressed areas and; (3) approving loan cancellation for any founder of a small business start-up in a distressed area.

#### **Subsection (b) – Certification**

This subsection sets requirements for certification of small business start-ups by the Young Entrepreneurs Business Center. It requires that founders seeking loan forgiveness submit applications to the Administrator that include 5-year business plans for startups and the number of employees employed on a yearly basis. It requires that the applicants are the founders of small business start-ups in a distressed area, working at the start-ups and recent graduates of institutions of higher education.

#### **Subsection (c) – Distressed Area**

This subsection mandates that the Young Entrepreneurs Business Center will identify and make publicly available on the website of the Administration a list of distressed areas. These areas are required to be a county or equivalent division of local government of a state that has, for the

most recent 24-month period for which statistics are available (1) a per capita income of 80 percent or less of the national average; or (2) an unemployment rate that is 1 percent greater than the national average; and for which the young entrepreneurs business center determines would economically benefit from having small business start-ups established in such area.

#### Subsection (d) – Loan Cancellation

This subsection requires the Young Entrepreneurs Business Center approve loan cancellations for founders of a small business start-ups in a distressed area if: The founders have established small businesses that are located in distressed areas for not more than 3 years before the date on which the small businesses were created, certified, and operating for not less than five years on the date of approval. It also requires that the founders' businesses were in distressed areas during the period in which the founders made the 24 consecutive payments on their student loans. This subsection also defines institution of higher education and small business start-ups.

#### Section 4. – *Treatment of Loan Cancellation.*

This section amends Section 108(f) of the Internal Revenue Code to ensure any money paid out for student loan forgiveness is not considered taxable income.